Illinois-American Water Company

Lincoln

Statement of Operating Income with Adjustments For the Test Year Ending December 31, 2017

Line		Co SR (Rev.) Pro Forma Present (IAWC Ex.4.01SR	Adjustments	Pro Forma Present	Company Proposed Increase (IAWC Ex.4.01SR	AG Gross Revenue Conversion	Proposed Rates With Adjustments	Adjustment To Proposed	Pro Forma Proposed
No.	Description	(Rev.), Col (d)	(Sch. 1.02)	(Cols. b+c)	Rev),Col (e)+(f)+(h)	Factor	(Cols. d+e+f)	Increase	(Cols. g+h)
110.	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	(a)	(b)	(0)	(u)	(6)	(1)	(9)	(11)	(1)
1	Tariff Revenue	\$4,453,799	\$ -	\$4,453,799	(\$28,674)	\$9	\$4,425,134	(\$308,091)	\$4,117,043
2	Other Revenue	<u>5,386</u>	2,644	8,030	<u>.</u>	Ξ.	8,030	=	8,030
3	Total Operating Revenue	4,459,185	2,644	4,461,829	(28,674)	9	4,433,164	(308,091)	4,125,073
4	Uncollectible Accounts	41,283	_	41,283	(273)	9	41,019	(2,834)	38,185
5	Salaries and Wages	526,343	(32,265)	494,078		-	494,078	(=,00.)	494,078
6	Purchased Water	-	(02,200)		_	_	-	_	-
7	Fuel and Power	130,147	(4,323)	125,824	_	_	125,824	_	125,824
8	Chemicals	41,538	-	41,538		-	41,538	_	41,538
9	Waste Disposal	39,552	-	39,552	-	-	39,552	-	39,552
10	Service Company Costs	412,006	(1,833)	410,173	-	-	410,173	-	410,173
11	Group Insurance	122,517	(3,003)	119,514	-	-	119,514	-	119,514
12	Pension	43,685	-	43,685		-	43,685	-	43,685
13	Regulatory Expense	27,718	-	27,718	-	-	27,718	-	27,718
14	Insuarance - other	75,190	-	75,190	-	-	75,190	-	75,190
15	Customer Accounting	52,985	-	52,985	-	-	52,985	-	52,985
16	Rents	3,880	-	3,880	-	-	3,880	-	3,880
17	General Office Expense	10,801	-	10,801	-	-	10,801	-	10,801
18	Maintenance - other	149,403	-	149,403	-	-	149,403	-	149,403
19	Miscellaneous	201,386	-	201,386	-	-	201,386	-	201,386
20	Depreciation & Amortization	991,031	-	991,031	-	-	991,031	-	991,031
21	Taxes other than income	266,839	(2,453)	264,386	-	-	264,386	-	264,386
22	Total Operating Expense				_	_		_	
23	Before Income Taxes	3,136,304	(43,877)	3,092,427	(273)	9	3,092,163	(2,834)	3,089,329
24	State Income Tax	76,465	3,870	80,335	(2,201)	_	- 78,134	(23,657)	- 54,477
25	Federal Income Tax	245,207	16,120	261,327	(' '	_	252,157	(98,560)	153,597
26	Deferred Taxes and ITCs Net	91,376		91,376	, ,	_	91,376	(,,	91,376
27	Total Operating Expenses	3,549,352	(23,887)	3,525,465	-	9	3,513,830	(125,051)	3,388,779
21	Total Operating Expenses	3,349,332	(23,001)	3,323,403	(11,044)	<u>9</u>	3,513,630	(125,051)	<u>3,300,119</u>
28	NET OPERATING INCOME	<u>\$909,833</u>	<u>\$26,531</u>	<u>\$936,364</u>	<u>(\$17,030)</u>	<u> </u>	<u>\$919,334</u>	(\$183,040)	<u>\$736,294</u>
29	Rate Base (Schedule 1.03 LC, Co								\$11,155,970

³⁰ Staff Overall Rate of Return (ICC Staff Exhibit 12.0, Schedule 12.01)

\$11,155,970 6.60%

(\$336,756)

<u>-7.55%</u>

³¹ Revenue Change (Col. (i) Line 3 minus Col. (d), Line 3)

Percentage Revenue Change (Col. (i), Line 31 divided by Col. (d), Line 3)

Illinois-American Water Company Lincoln

Adjustments to Operating Income For the Test Year Ending December 31, 2017

Line <u>No.</u>	<u>Description</u> (a)	Interest Synchronization (Sch. 1.07) (b)	Payroll Exp (AG IB Sch C-2 p 1) (c)	APP (AG IB Sch. C-3) (d)	Power Exp (AG IB Sch. C-5) (e)	Debt Return on Pension Asset (AG IB Sch C-10) (f)		(Not Applicable) (h)	Total Operating Statement <u>Adjustments</u> (i)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Revenue	-	=	-	=	2,644	=	=	2,644
3	Total Operating Revenue	-	-	-	-	2,644	-	-	2,644
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Salaries and Wages	-	(17,624)	(14,641)	-	-	-	-	(32,265)
6	Purchased Water	-	-	-	-	-	-	-	-
7	Fuel and Power	-	-	-	(4,323)	-	-	-	(4,323)
8	Chemicals	-	-	-	-	-	-	-	-
9	Waste Disposal	-	-	-	-	-	- (4.555)	-	-
10	Service Company Costs	-	(0.000)	(541)	-	-	(1,292)	-	(1,833)
11	Group Insurance	-	(3,003)	-	-	-	-	-	(3,003)
12	Pension	-	-	-	-	-	-	-	-
13	Regulatory Expense	-	-	-	-	-	-	-	-
14	Insuarance - other	-	-	-	-	-	-	-	-
15	Customer Accounting	-	-	-	-	-	-	-	-
16	Rents General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	-	-	-	-	-	-
19	Depreciation & Amortization	-	-	-	-	-	-	-	-
20	Taxes other than income	_	(4.202)	(4.464)	_	_	_	_	(0.450)
21		Ξ.	(1,292)	(1,161)	=	=	=	=	(2,453)
22 23	Total Operating Expense Before Income Taxes		(21,919)	(16,343)	(4,323)		(1,292)		(43,877)
23	Delote income raxes	-	(21,919)	(10,343)	(4,323)	-	(1,292)	-	(43,677)
24	State Income Tax	264	1,699	1,267	335	205	100	_	3,870
25	Federal Income Tax	1,099	7,077	5,277	1,396	854	417	_	16,120
26	Deferred Taxes and ITCs Net	- 1,000		5,277	1,000	-	-	_	10,120
		1 262	(12 142)	(0.700)	(2 502)	1.050	(77E)	Ξ	(22 007)
27	Total Operating Expenses	<u>1,363</u>	(13,143)	(9,799)	(2,592)	1,059	(775)	=	(23,887)
28	NET OPERATING INCOME	<u>(\$1,363)</u>	<u>\$13,143</u>	<u>\$9,799</u>	<u>\$2,592</u>	<u>\$1,585</u>	<u>\$775</u>	<u>\$</u> =	<u>\$26,531</u>

Illinois-American Water Company Lincoln

Rate Base

For the Test Year Ending December 31, 2017

Line			Company Pro Forma Rate Base	Adjustments	Pro Forma Rate Base
No.	Description	(IAW	C Ex. 4.03SR(Rev))	(Sch 1.04)	(Col. b+c)
	(a)		(b)	(c)	(d)
4	Litility Plant in Consider	\$	27,202,672	\$ (7,567)	\$ 27,195,105
1	Utility Plant in Service Less: Accum. Depreciation & Amort.	Φ	(12,123,860)	Φ (7,307)	
2	Less. Accum. Depreciation & Amort.		(12, 123,000)	-	(12,123,860)
3	Net Plant		15,078,812	- (7,567)	<u>-</u> 15,071,245
4	Net Plant		15,076,612	(7,567)	15,071,245
5	Additions to Rate Base				
6	Construction Work in Progress		91,413	-	91,413
7	Utility Plant Acquisition Adjustment - DuPage		-	-	<u>-</u>
8	Cash Working Capital		95,000	(29,000)	66,000
9	Materials and Supplies		79,640	-	79,640
10	Deferred Charges		245,403	-	245,403
11	FAS 109 Reg. Asset - Net of Liability		(19,793)	-	(19,793)
12	ICC Service Company Audit Costs		2,382	-	2,382
13					
14	Deductions From Rate Base				
15	Customer Advances for Construction		(1,256,969)	-	(1,256,969)
16	Contributions in Aid of Construction		(1,018,633)	-	(1,018,633)
17	Accum. Depr. on Contributed Property		351,453	-	351,453
18	Budget Payment Plan		155	-	155
19	Deferred Federal Income Tax		(2,132,422)	-	(2,132,422)
20	Deferred State Income Tax		(243,390)	-	(243,390)
20	Investment Tax Credit - pre 1971		(19)	-	(19)
21	OPEB Liability		(28,664)	-	(28,664)
22	FIN 48		Ξ	(51,831)	<u>(51,831)</u>
23	Rate Base	<u>\$</u>	<u>11,244,368</u>	<u>\$</u> (88,398)	<u>\$</u> <u>11,155,970</u>

Illinois-American Water Company Lincoln

Adjustments to Rate Base For the Test Year Ending December 31, 2017

Line <u>No.</u>	<u>Description</u> (a)	Cash Working Capital (Sch 1.08) (b)	(AC	FIN 48 G IB Sch. B-2) (c)	Payroll Exp (AG IB Sch C-2 p 2 (d)) (Not Applic	able)	(Not Applic	able)	(Not	<u>: Applicable)</u> (g)	(Not Applicab (h)	le)	Total Rate Base Adjustments (i)
1	Utility Plant in Service	\$ _	\$	_	(\$7,567)	\$	_	\$	_	\$	_	\$ -		(\$7,567)
2	Less: Accum. Depreciation & Amort.	_		-	-		_		_		-		_	-
3	·	_		-	_		_		_		-		_	-
4	Net Plant	-		-	(7,567)	-		-		-		-	(7,567)
5	Additions to Rate Base													
6	Construction Work in Progress	_		_	_		_		_		_		-	-
7	Utility Plant Acquisition Adjustment - DuPage	-		_	-		-		-		_		_	-
8	Cash Working Capital	(29,000)		-	-		-		-		-		-	(29,000)
9	Materials and Supplies	-		-	-		-		-		-		-	-
10	Deferred Charges	-		-	-		-		-		-		-	-
11	FAS 109 Reg. Asset - Net of Liability	-		-	-		-		-		-		-	-
12	ICC Service Company Audit Costs	-		-	-		-		-		-		-	-
13		-		-	-		-		-		-		-	-
14	Deductions From Rate Base	-		-	-		-		-		-		-	-
15	Customer Advances for Construction	-		-	-		-		-		-		-	-
16	Contributions in Aid of Construction	-		-	-		-		-		-		-	-
17	Accum. Depr. on Contributed Property	-		-	-		-		-		-		-	-
18	Budget Payment Plan	-		-	-		-		-		-		-	-
19	Deferred Federal Income Tax	-		-	-		-		-		-		-	-
20	Deferred State Income Tax	-		-	-		-		-		-		-	-
20	Investment Tax Credit - pre 1971	-		-	-		-		-		-		-	-
21	OPEB Liability	-		-	-		-		-		-		-	-
22	FIN 48	Ξ		(51,831)	=		Ξ		Ξ		Ξ		Ξ	(51,831)
23	Rate Base	(\$29,000)		<u>(\$51,831)</u>	<u>(\$7,567</u>	<u>\$</u>	≣	<u>\$</u>	≣	<u>\$</u>	=	<u>\$</u>		<u>(\$88,398)</u>

Illinois-American Water Company

Lincoln

Revenue Effect of Adjustments

For the Test Year Ending December 31, 2017

Line					Adjusted
<u>No.</u>	<u>Description</u> (a)		Per Company (b)	Adjustments (c)	Balance (d)
1	Present Revenues		\$4,459,185 (1)	\$2,644	\$4,461,829 (2)
	Proposed Increase Direct	179,687			
2	Rebuttal (Rev.) Surrebuttal (Rev.)	2,642 (211,003)	<u>(28,674)</u> ⁽³⁾	(308,082) (4)	(336,756) ⁽⁵⁾
3 4	Proposed Revenues % Increase		<u>\$4,430,511</u> -0.64%	<u>(\$305.438)</u>	<u>\$4,125,073</u> -7.55%
5 6	Adjustments: Rate of Return (Applied to Company	Rate Base)		(\$253,615)	
7 8 9 10 11 12 13 14 15	Payroll Expense APP FIN 48 Purchased Power Expense Cash Working Capital Debt Return on Pension Asset Demand Study Costs Gross Revenue Conversion Factor Interest Synchronization			(22,830) (16,494) (4,850) (4,363) (2,713) (2,668) (1,304) 9	
16	Rounding			1	
17	Total Revenue Effect of Adjustments			<u>(\$308,082)</u>	

Sources

- (1) AG IB, Schedule 1.01 LC, column (b), line 3
- (2) AG IB, Schedule 1.01 LC, column (d), line 3
- (3) IAWC Exhibit 4.01SR (Rev.) Line 32
- (4) AG IB, Schedule 1.01 LC, columns (f) + (h), line 3
- (5) AG IB, Schedule 1.01 LC, column (j), line 32

Docket No. 16-0093 AG's Statement of Position Schedule 1.06 LC

Illinois-American Water Company Lincoln Interest Synchronization Adjustment

Interest Synchronization Adjustment For the Test Year Ending December 31, 2017

Line <u>No.</u>	<u>Description</u> (a)	Amount (b)	
1	Rate Base	\$11,155,970	(1)
2	Weighted Cost of Debt	2.58%	(2)
3	Synchronized Interest	287,824	
4	Company Interest Expense	291,229	(3)
5	Increase (Decrease) in Interest Expense	<u>(\$3,405)</u>	
6 7	Increase (Decrease) in State Income Tax Expense at 7.750%	<u>\$264</u>	
8 9	Increase (Decrease) in Federal Income Tax Expense at 35.000%	<u>\$1,099</u>	

(1) Source: Schedule 1.03 LC, Column (d).

(2) Source: ICC Staff Exhibit 12.0, Schedule 12.01. (3) Source: IAWC Ex. 4.05SR(Rev), p. 4, Ln. 3

Docket No. 16-0093 AG's Statement of Position Schedule 1.07 LC

Illinois-American Water Company Lincoln Gross Revenue Conversion Factor For the Test Year Ending December 31, 2017

Line <u>No.</u>	<u>Description</u> (a)	Rate (b)	With Bad Debts (c)	Without Bad Debts (d)
1	Revenues		1.000000	
2	Uncollectibles State Taxable Income	0.9200%	0.009200 0.990800	1.000000
4 5	State Income Tax Federal Taxable Income	7.7500%	<u>0.076787</u> 0.914013	0.077500 0.922500
6	Federal Income Tax	35.0000%	0.319905	0.322875
7	Operating Income		<u>0.594108</u>	<u>0.599625</u>
8	Gross Revenue Conversion Factor		<u>1.683196</u>	<u>1.667709</u>

Illinois-American Water Company Lincoln

Cash Working Capital Adjustment For the Test Year Ending December 31, 2017

Line No.	ltem	Amount (1)	Average Daily Amount (C)/365	Expense (Lead)/Laq ⁽²⁾	Cash Requirement (D)*(E)	Source
(A)	(B)	(C)	(D)	(E)	(F)	(G)
1 2 3	Revenue Return on Equity Deferred Income Taxes	\$4,125,073 (446,239)				Sch. 1.01 LC, p. 1, line 3 Sch. 1.08 LC, p. 2, line 13
4	Uncollectible Accounts	(91,376) (38,185)				
5 6	Total Depr/Amortization	(1,018,749)				Sch. 1.08 LC, p.2, line 7
7 8	Net Revenues/Total Receipts	<u>\$2,530,524</u>	\$6,933	47.40	\$328,621	
9 10 11 12 13	Salaries and Wages Purchased Water Fuel and power Chemicals Waste disposal	\$494,078 - 125,824 41,538 39,552	1,354 - 345 114 108	(11.90) (56.10) (34.20) (44.60) (57.40)	(16,108) - (11,790) (5,076) (6,220)	Co. Sch. C-2.3
14 15 16 17	Service Company Costs Group insurance Pension Insurance - other	410,173 119,514 43,685 75,190	1,124 327 120 206	7.70 (9.70) (7.80) 101.40	8,653 (3,176) (934) 20,888	
18 19 20 21 22	Customer accounting Rents General office expense Maintenance - other Miscellaneous	52,985 3,880 10,801 149,403 201,386	145 11 30 409 552	(47.70) 11.70 (45.50) (52.20) (41.70)	(6,924) 124 (1,346) (21,367) (23,008)	Sch. 1.08 LC, p. 2, line 10
23 24 25 26	Total O&M Expenses	- <u>\$1,768,009</u>			(66,282)	
27 28 29 30	Taxes other than income Federal Income Tax - Current State Income Tax - Current Deferred Income Taxes	264,386 153,597 54,477 0	724 421 149 (250)	(147.50) (35.50) (35.50)	(106,841) (14,939) (5,298)	
31 32	Interest Expense	<u>287,824</u>	789	(88.20)	(69,551)	Sch. 1.06 LC, line 3
33 34 35 36	Subtotal Other Expenses Total Outlays Total Cash Working Capital Requirement	760,284 \$2,528,293	(2,231)		(196,629) \$65,710	Line 25 + line 33 Line 7 + Line 25 + Line 33
37 38	Cash Working Capital (Rounded to nearest \$1,000) Cash Working Capital per Company	\$66,000 <u>95,000</u>				Line 35 IAWC Ex. 4.03SR (Revl)
39 40	Adjustment	(\$29,000)				. ,

- (1) AG Initial Brief, Schedule 1.01 LC, page 1, except where noted. (2) IAWC Schedule B-8, except where noted.

Docket No. 16-0093 AG's Statement of Position Schedule 1.08 LC Page 2 of 2

Illinois-American Water Company Lincoln

Cash Working Capital Adjustment For the Test Year Ending December 31, 2017

Line No.	ltem	Amount	Source
(A)	(B)	(C)	(D)
1	Total operating revenue	\$4,125,073	Sch. 1.01 LC, p. 1, line 3, column (i)
2	Surcharge revenue	<u>=</u>	Co. Sch. C-2.3
3	Total revenue	<u>\$4,125,073</u>	Line 1 + Line 2
4 5 6 7	Depr/amortization per Income Statement Add: Amortization of rate case expense Add: Reclassify amortization of tank painting Total depr/amortization for CWC	\$991,031 27,718 - \$1,018,749	Sch. 1.01 LC, p. 1, line 20, column (i) Sch. 1.01 LC, p. 1, line 13, column (i) Co. Sch. C-2.4, line 6 Sum of lines 4 through 6
8	Maintenance-other per Income Statement	\$149,403	Sch. 1.01 LC, p. 1, line 18, column (i)
9	Less: Reclassify amortization of tank painting	_	Line 12
10	Total Maintenance-other for CWC	<u>\$149,403</u>	Line 8 - Line 9
11 12 13	Total Rate Base Weighted Cost of Equity Return on equity deduction from revenue	\$11,155,970 4.0000% <u>\$446,239</u>	Sch. 1.03 LC, p. 1, line 23, column (i) Staff Ex. 12, Sch. 12.01 Line 11 * Line 12